FORM 10-Q
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended June 30, 2012

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to

Commission file number **0-17686**

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

Wisconsin	**39-1606834**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

1100 Main Street, Suite 1830 Kansas City, Missouri 64105
(Address of principal executive offices, including zip code)

(816) 421-7444
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None
Securities registered pursuant to Section 12(g) of the Act: Limited Partnership Interests

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ___

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes _X_ No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ___ Accelerated filer ___ Non-accelerated filer ___ Smaller Reporting Company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes __ No X

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FOR THE PERIOD ENDED JUNE 30, 2012

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DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED BALANCE SHEETS

June 30, 2012 and December 31, 2011

ASSETS

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
INVESTMENT PROPERTIES: **(Note 3)**		
Land	$2,956,118	$2,956,118
Buildings	5,028,699	5,028,699
Accumulated depreciation	(3,759,828)	(3,684,775)
Net investment properties	$4,224,989	$4,300,042
OTHER ASSETS:		
Cash	$516,309	$771,250
Cash held in Indemnification Trust **(Note 9)**	451,784	451,961
Property tax cash escrow	32,308	28,130
Rents and other receivables	25,500	430,048
Property held for sale **(Note 3)**	185,585	185,664
Deferred rent receivable	4,569	1,767
Prepaid insurance	1,964	4,910
Deferred charges, net	207,389	221,789
Note Receivable **(Note 11)**	241,113	253,247
Total other assets	$1,666,521	$2,348,766
Total assets	$5,891,510	$6,648,808

The accompanying notes are an integral part of these condensed financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED BALANCE SHEETS

June 30, 2012 and December 31, 2011

LIABILITIES AND PARTNERS' CAPITAL

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
LIABILITIES:		
Accounts payable and accrued expenses	$19,138	$14,586
Property tax payable	32,312	28,134
Due to General Partner **(Note 6)**	227	1,757
Unearned rental income	5,000	5,000
Security deposits	70,440	70,440
Total liabilities	$127,117	$119,917
CONTINGENT LIABILITIES: **(Note 8 and 9)**		
PARTNERS' CAPITAL: **(Notes 1, 4 and 10)**		
General Partner		
Cumulative net income	$316,230	$315,120
Cumulative cash distributions	(132,396)	(131,952)
	$183,834	$183,168
Limited Partners (46,280.3 interests outstanding) At June 30, 2012 and December 31, 2011		
Capital contributions, net of offering costs	$39,358,468	$39,358,468
Cumulative net income	$37,672,588	37,562,752
Cumulative cash distributions	(70,610,268)	(69,735,268)
Reallocation of former general partners' deficit capital	(840,229)	(840,229)
	$5,580,559	$6,345,723
Total partners' capital	$5,764,393	$6,528,891
Total liabilities and partners' capital	$5,891,510	$6,648,808

The accompanying notes are an integral part of these condensed financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED STATEMENTS OF INCOME (LOSS)

For the Three and Six Month Periods Ended June 30, 2012 and 2011

	Three Months ended June 30,		Six Months ended June 30,	
	2012 (Unaudited)	2011 (Unaudited)	2012 (Unaudited)	2011 (Unaudited)
OPERATING REVENUES:				
Rental income **(Note 5)**	$281,025	$275,573	$536,550	$534,877
TOTAL OPERATING REVENUES	281,025	275,573	536,550	534,877
OPERATING EXPENSES				
Partnership management fees **(Note 6)**	63,420	61,352	125,504	122,041
Restoration fees **(Note 6)**	0	124	40	249
Insurance	1,473	1,641	2,946	3,282
General and administrative	27,860	14,763	54,497	39,665
Advisory Board fees and expenses	2,625	2,625	5,250	5,250
Professional services	80,752	47,908	137,298	141,968
Depreciation	37,526	37,526	75,053	75,052
Amortization	7,200	7,263	14,400	14,494
TOTAL OPERATING EXPENSES	220,856	173,202	414,988	402,001
OTHER INCOME				
Interest income	472	671	766	1,337
Note receivable interest income **(Note 11)**	4,444	4,871	8,998	9,845
Recovery of amounts previously written off **(Note 2)**	0	3,107	1,000	6,214
Other income	1,061	61	1,541	140
TOTAL OTHER INCOME	5,977	8,710	12,305	17,536
INCOME FROM CONTINUING OPERATIONS	66,146	111,081	133,867	150,412
LOSS FROM DISCONTINUED OPERATIONS **(Notes 1 and 3)**	(9,519)	(536,505)	(22,921)	(512,681)
NET INCOME (LOSS)	$56,627	$(425,424)	$110,946	$(362,269)
NET INCOME (LOSS)- GENERAL PARTNER	$566	$(4,254)	$1,110	$(3,623)
NET INCOME (LOSS)- LIMITED PARTNERS	56,061	(421,170)	109,836	(358,646)
	$56,627	$(425,424)	$110,946	$(362,269)
PER LIMITED PARTNERSHIP INTEREST, Based on 46,280.3 interests outstanding:				
INCOME FROM CONTINUING OPERATIONS	$1.41	$2.38	$2.86	$3.22
LOSS FROM DISCONTINUED OPERATIONS	(.20)	(11.48)	(.49)	(10.97)
NET INCOME (LOSS) PER LIMITED PARTNERSHIP INTEREST	$1.21	$(9.10)	$2.37	$(7.75)

The accompanying notes are an integral part of these condensed financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED STATEMENTS OF CASH FLOWS

For the Six Month Periods Ended June 30, 2012 and 2011

	Six Months ended June 30,	
	2012 (Unaudited)	2011 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$110,946	$(362,269)
Adjustments to reconcile net income to net cash from operating activities -		
Depreciation and amortization	89,453	111,399
Recovery of amounts previously written off	(1,000)	(6,214)
Interest paid (applied) to Indemnification Trust account	177	(396)
Property impairment write-downs	0	540,118
Decrease in rents and other receivables	404,810	380,165
Increase in property tax cash escrow	(4,178)	(793)
Increase in repair fund cash escrow	0	(4,000)
Decrease in prepaid insurance	4,327	3,281
(Increase) Decrease in deferred rent receivable	(2,802)	7,267
Increase in accounts payable and accrued expenses	2,988	23,018
Increase (Decrease) in property tax payable	4,178	(7,647)
Increase in repair fund payable	0	4,000
Decrease in due to General Partner	(1,530)	(913)
Decrease in security deposits	0	(18,000)
Net cash from operating activities	607,369	669,016
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment of leasing commission	0	(5,346)
Note receivable, principal payment received	12,134	11,288
Recoveries from former General Partner affiliates	1,000	6,214
Net cash from investing activities	13,134	12,156
Cash distributions to Limited Partners	(875,000)	(535,000)
Cash distributions to General Partner	(444)	(712)
Net cash used in financing activities	(875,444)	(535,712)
NET INCREASE (DECREASE) IN CASH	(254,941)	145,460
CASH AT BEGINNING OF YEAR	771,250	427,973
CASH AT END OF PERIOD	$516,309	$573,433

The accompanying notes are an integral part of these financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS

These unaudited interim condensed financial statements should be read in conjunction with DiVall Insured Income Properties 2 Limited Partnership's (the "Partnership") 2011 annual audited financial statements within its Form 10-K filed with the Securities and Exchange Commission (the "SEC") on April 16, 2012.

These unaudited condensed financial statements and notes have been prepared on the same basis as the annual audited financial statements and include all normal and recurring adjustments, which are in the opinion of management, necessary to present a fair statement of the Partnership's financial position, results of operations and of cash flows as of and for the interim periods presented. The results of operations for the six month period ended June 30, 2012 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2012, for any other interim period, or for any other future year.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

The Limited Partnership was formed on November 20, 1987, pursuant to the Uniform Limited Partnership Act of the State of Wisconsin. The initial capital, contributed during 1987, consisted of $300, representing aggregate capital contributions of $200 by the former general partners and $100 by the initial limited partner.

The Partnership is currently engaged in the business of owning and operating its investment portfolio of commercial real estate properties (the "Properties"). The Properties are leased (with the exception of the vacant Phoenix, AZ property- See Note 3 to the condensed financial statements) on a triple net basis primarily to, and operated by, franchisors or franchisees of national, regional, and local retail chains under primarily long-term leases. The lessees are fast food, family style, and casual/theme restaurants. As of June 30, 2012, the Partnership owned thirteen Properties, which are located in a total of six states.

The Partnership will be dissolved on November 30, 2020 (extended ten years per the results of the 2009 Consent, as defined below), or earlier upon the prior occurrence of any of the following events: (a) the disposition of all properties of the Partnership; (b) the written determination by The Provo Group, Inc., the general partner of the Partnership (the "General Partner", or "TPG", or "Management"), that the Partnership's assets may constitute "plan assets" for purposes of ERISA; (c) the agreement of Limited Partners owning a majority of the outstanding interests to dissolve the Partnership; or (d) the dissolution, bankruptcy, death, withdrawal, or incapacity of the last remaining General Partner, unless an additional General Partner is elected previously by a majority of the Limited Partners. During the second quarters of 2001, 2003, 2005 and 2007, consent solicitations were circulated (the "2001, 2003, 2005 and 2007 Consents, respectively"), which if approved would have authorized the sale of all of the Partnership's Properties and the dissolution of the Partnership. A majority of the Limited Partners did not vote in favor of any of the Consents. Therefore, the Partnership had continued to operate as a going concern. On July 31, 2009, the Partnership mailed a consent solicitation (the "2009 Consent") to Limited Partners to determine whether the Limited Partners wished to extend the term of the Partnership for ten years to November 30, 2020 (the "Extension Proposition"), or wished the Partnership to sell its assets, liquidate, and dissolve by November 30, 2010. A majority of the Partnership Interests voted "FOR" the Extension Proposition and, therefore, the Partnership continued to operate as a going concern. During the second quarter of 2011, Consent solicitations were circulated ("2011 Consent"), which if approved would have authorized the sale of all of the Partnership's Properties and the dissolution of the Partnership. A majority of the Limited Partners did not vote in favor of the 2011 Consent, and the General Partner declared the 2011 Consent solicitation process concluded on June 30, 2011. Therefore, the Partnership continues to operate as a going concern.

Significant Accounting Policies

Rental revenue from the Properties is recognized on the straight-line basis over the term of the respective lease. Percentage rents are only accrued when the tenant has reached the sales breakpoint stipulated in the lease.

Rents and other receivables are comprised of billed but uncollected amounts due for monthly rents and other charges, and amounts due for scheduled rent increases for which rentals have been earned and will be collected in the future under the terms of the leases. Receivables are recorded at Management's estimate of the amounts that will be collected.

Based on an analysis of specific accounts and historical experience, as of June 30, 2012, and December 31, 2011, there were no recorded values for allowance for doubtful accounts.

The Partnership considers its operations to be in only one segment, the operation of a portfolio of commercial real estate leased on a triple net basis, and therefore no segment disclosure is made.

Depreciation of the Properties are provided on a straight-line basis over the estimated useful lives of the buildings and improvements.

Deferred charges represent leasing commissions paid when the Properties are leased and upon the negotiated extension of a lease. Leasing commissions are capitalized and amortized over the term of the lease. As of June 30, 2012 and December 31, 2011, accumulated amortization amounted to $86,828 and $72,428, respectively.

Property taxes, general maintenance, insurance and ground rent on the Partnership's Properties are the responsibility of the tenant. However, when a tenant fails to make the required tax payments or when a property becomes vacant (such as the vacant Phoenix, AZ property which formerly operated as China Super Buffet restaurant ("China Buffet") or the formerly owned vacant Park Forest, IL ("Park Forest") property) the Partnership makes the appropriate property tax payments to avoid possible foreclosure of the property. In a property vacancy the Partnership pays for the insurance, maintenance and any utilities related to the vacant property.

Such taxes, insurance and ground rent are expensed in the period in which the liability is incurred. The Partnership leases property to one restaurant, which is located on a parcel of land where the Partnership holds a long-term ground lease, as lessee, which is set to expire in 2018. The Partnership has the option to extend the lease for two additional ten year periods. The Partnership owns all improvements constructed on the land (including the building and improvements) until the termination of the ground lease, at which time all constructed improvements will become the land owner's property. The tenant, a Kentucky Fried Chicken restaurant franchisee ("KFC"), is responsible for the $3,400 per month ground lease payment per the terms of its lease with the Partnership.

The Partnership generally maintains cash in federally insured accounts in a bank that is participating in the FDIC's Transaction Account Guarantee Program ("TAGP"). Under TAGP, through December 31, 2010, all non-interest bearing transaction accounts were fully guaranteed by the FDIC for the entire amount in the account. Pursuant to Section 343 of the Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), all funds in a non-interest bearing transaction account are insured in full by the FDIC from December 31, 2010 through December 31, 2012. This temporary unlimited coverage is in addition to and separate from, the coverage of at least $250,000 available to depositors under the FDIC's general deposit insurance rules. Cash maintained in these accounts may exceed federally insured limits after the expiration of the period established by the Dodd- Frank Act. The Partnership has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Financial instruments that potentially subject the Partnership to significant concentrations of credit risk consist primarily of cash investments and leases. Additionally, as of June 30, 2012, nine of the Partnership's thirteen Properties are leased to three significant tenants, Wendgusta, LLC ("Wendgusta"), Wendcharles I, LLC ("Wendcharles I") and Wendcharles II, LLC ("Wendcharles II"), all three of whom are Wendy's restaurant franchisees. The property lease(s) for the three tenants comprised approximately 54%, 15% and 8%, respectively, of the total operating base rents reflected as of June 30, 2012.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets disposed of or deemed to be classified as held for sale require the reclassification of current and previous years' operations to discontinued operations in accordance with GAAP applicable to "Accounting for the Impairment or Disposal of Long Lived Assets". As such, prior year operating results for those properties considered as held for sale or properties no longer considered for sale have been reclassified to conform to the current year presentation without effecting total income. When properties are considered held for sale, depreciation of the properties is discontinued, and the properties are valued at the lower of the depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, the property previously classified as held for sale is no longer to be sold, the property is reclassified as held and used. Such property is measured at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell.

Assets are classified as held for sale, generally, when all criteria within GAAP applicable to "Accounting for the Impairment or Disposal of Long Lived Assets" have been met.

The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets. Based on this analysis, a provision for possible loss is recognized, if any. There were no adjustments to carrying values for the three and six month periods ended June 30, 2012. The carrying amount of the vacant Phoenix, AZ property was reduced by $540,118 during the second quarter of 2011.

The Financial Accounting Standards Board ("FASB") guidance on "Fair Value Measurements and Disclosure", defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. The adoption of the provisions of this FASB issuance, with respect to nonrecurring fair value measurements of nonfinancial assets and liabilities, including (but not limited to) the valuation of reporting units for the purpose of assessing goodwill impairment and the valuation of property and equipment when assessing long-lived asset impairment, did not have a material impact on how the Partnership estimated its fair value measurements but did result in increased disclosures about fair value measurements in the Partnership's financial statements as of and for the three and six month periods ended June 30, 2012 and the year ended December 31, 2011. See Note 12 for further disclosure.

GAAP applicable to Disclosure About Fair Value of Financial Instruments, requires entities to disclose the fair value of all financial assets and liabilities for which it is practicable to estimate. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The General Partner believes that the carrying value of the Partnership's assets (exclusive of the Properties) and liabilities approximate fair value due to the relatively short maturity of these instruments.

No provision for federal income taxes has been made, as any liability for such taxes would be that of the individual partners rather than of the Partnership.

The Partnership is not subject to federal income tax because its income and losses are includable in the tax returns of its partners, but may be subject to certain state taxes. FASB has provided guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the entity's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable taxing authority. Management has determined that there were no material uncertain income tax positions. Tax returns filed by the Partnership generally are subject to examination by U.S. and state taxing authorities for the years ended after December 31, 2008.

2. <u>REGULATORY INVESTIGATION:</u>

A preliminary investigation during 1992 by the Office of Commissioner of Securities for the State of Wisconsin and the Securities and Exchange Commission (the "Investigation") revealed that during at least the four years ended December 31, 1992, the former general partners of the Partnership, Gary J. DiVall ("DiVall") and Paul E. Magnuson ("Magnuson"), had transferred substantial cash assets of the Partnership and two affiliated publicly registered limited partnerships, DiVall Insured Income Fund Limited Partnership ("DiVall 1"), which was dissolved December of 1998, and DiVall Income Properties 3 Limited Partnership ("DiVall 3"), which was dissolved December of 2003, (collectively, the "three original partnerships") to various other entities previously sponsored by or otherwise affiliated with Gary J. DiVall and Paul E. Magnuson. The unauthorized transfers were in violation of the respective partnership agreements and resulted, in part, from material weaknesses in the internal control system of the three original partnerships.

Subsequent to discovery, and in response to the regulatory inquiries, TPG was appointed Permanent Manager (effective February 8, 1993) to assume responsibility for daily operations and assets of the three original partnerships as well as to develop and execute a plan of restoration for the three original partnerships. Effective May 26, 1993, the Limited Partners, by written consent of a majority of interests, elected TPG as General Partner. TPG terminated the former general partners by accepting their tendered resignations.

In 1993, the General Partner estimated an aggregate recovery of $3 million for the three original partnerships. At that time, an allowance was established against amounts due from former general partners and their affiliates reflecting the estimated $3 million receivable. This net receivable was allocated among the three original partnerships based on their pro rata share of the total misappropriation, and restoration costs and recoveries have been allocated based on the same percentage. Through June 30, 2012, approximately $5,919,000 of recoveries have been received which exceeded the original estimate of $3 million. As a result, from January 1, 1996 through June 30, 2012, the Partnership has recognized a total of approximately $1,229,000 as recovery of amounts previously written off in the statements of income, which represents its share of the excess recovery. The General Partner continues to pursue recoveries of the misappropriated funds; however, no further significant recoveries are anticipated.

3. INVESTMENT PROPERTIES and PROPERTIES HELD FOR SALE:

The total cost of the Properties includes the original purchase price plus acquisition fees and other capitalized costs paid to an affiliate of the former general partners.

As of June 30, 2012, the Partnership owned property leased to thirteen fully constructed fast-food restaurants, which includes one vacant property in Phoenix, AZ that was reclassified to properties held for sale during the third quarter of 2011 (formerly operated as China Buffet). The twelve tenants are composed of the following: nine Wendy's restaurants, an Applebee's restaurant, a KFC restaurant, and a Daytona’s All Sports Café (“Daytona’s”). The thirteen properties are located in a total of six states.

Vacant Phoenix, AZ Property

The China Super Buffet restaurant ceased operations and vacated the Phoenix, AZ property in late June of 2011. Management regained possession of the property in July and lease obligation charges ceased as of June 30, 2011. The property was reclassified to properties held for sale during the third quarter of 2011 upon the execution of a Marketing Agreement on September 28, 2011 with an unaffiliated party. The vacant, Phoenix, AZ property did not sell at an October 18, 2011 auction; however, Management continued to market the property to potential buyers.

The carrying amount of the vacant Phoenix, AZ property was reduced by $390,117 during the fiscal year 2011, to its estimated fair value of $150,000. The net book value of the vacant, Phoenix, AZ property at June 30, 2012, classified as property held for sale in the condensed financial statements, was approximately $152,000, which included $123,000 related to land, $27,000 related to building, net of accumulated depreciation, $9,300 related to a security deposit, $400 related to rents and other receivables, $200 related to prepaid insurance, $700 related to accounts payable and accrued expenses and $7,600 related to property tax payable.

A contract (“Contract”) to sell the vacant Phoenix, AZ property to an unaffiliated party was executed on February 14, 2012 for the sale price of $325,000. The potential buyer provided an earnest money deposit (“Deposit”) of $25,000, which is held by an independent escrow company. Per the First Amendment to the Contract (“Amendment”) dated April 23, 2012, a non-refundable feasibility 30-day extension fee of $2,500 was released from the $25,000 earnest money deposit (“Deposit”) and paid to the Partnership. Per the Amendment, the potential Buyer replenished the $2,500 to the Deposit prior to the expiration of the feasibility period (May 22, 2012).

Per the Contract, closing is anticipated to occur prior to and up to 210 days out from the Contract execution date. Closing costs are estimated to be approximately $30,000.
The sales Contract has various due diligence and feasibility periods, as well as additional extensions and Management has no measure of certainty that the Contract will close or if a specific and unique re-use of the now vacant property will materialize. Therefore, the $150,000 net book value for the vacant property

at June 30, 2012, is its estimated fair value based on income capitalization calculations using historical capitalization rates (used by Management in relation to the property for annual Partnership Net Unit Valuations) applied to independently identified market rents, less known re-leasing costs such as estimated roof, parking lot and miscellaneous repairs, as well as leasing commissions.

Wendy's- 361 Highway 17 Bypass, Mt. Pleasant, SC Property

On November 30, 2010, the County of Charleston made a purchase offer ("Initial Offer") of approximately $177,000 to the Partnership in connection with an eminent domain (condemnation) land acquisition of approximately 5,000 square feet of the approximately 44,000 square feet of the Wendy's- Mt. Pleasant, SC ("Wendy's- Mt. Pleasant") property. In October of 2011, the Partnership received Notice ("Condemnation Notice") that the County of Charleston filed condemnation proceedings on October 12, 2011, which in effect permits the County of Charleston to take possession of approximately 5,000 square feet of the Wendy's- Mt. Pleasant property and to begin construction of the planned road improvements. The Partnership had until November 11, 2011, to reject the Initial Offer for the purchase of the property and rejected the tender of payment. However, the Initial Offer remains valid during the period the Partnership disputes the County of Charleston's position that the $177,000 reflects just compensation for the taking of the property. Management will continue to actively work with legal counsel and Wendcharles I to facilitate a settlement with the County of Charleston and the re-engineering of the County's plans to preserve the viability of the site for Wendy's-Mt. Pleasant's operational use. The net book value of the land to be purchased is $33,991 and was reclassified to a property held for sale during the fourth quarter of 2010.

Discontinued Operations

During the three month periods ended June 30, 2012 and 2011, the Partnership recognized losses from discontinued operations of approximately $10,000 and $537,000, respectively. During the six month period ended June 30, 2012 and 2011, the Partnership recognized losses from discontinued operations of approximately $23,000 and $513,000, respectively. The 2012 and 2011 losses from discontinued operations were attributable to the third quarter of 2011 reclassifications of the vacant Phoenix, AZ property and the formerly owned Denny's, Phoenix, AZ property (sold in November of 2011) to properties held for sale upon the execution of an Agency and Marketing Agreement with an unaffiliated party in September of 2011 to sell both of the properties.

The components of properties held for sale in the balance sheets as of June 30, 2012 and December 31, 2011 are outlined below:

	June 30, 2012	December 31, 2011
Balance Sheet:		
Land	$157,360	$157,360
Buildings, net	26,631	26,631
Rents and other receivables	424	686
Utilities security deposit	9,260	9,260
Prepaid insurance	212	1,593
Accounts payable and accrued expenses	(731)	(2,295)
Property tax payable	(7,571)	(7,571)

Properties held for sale	$185,585	$185,664

The components of discontinued operations included in the condensed statement of income (loss) for the three and six month periods ended June 30, 2012 and 2011 are outlined below:

	Three Month Period ended June 30, 2012 (Unaudited)	Three Month Period ended June 30, 2011 (Unaudited)	Six Month Period ended June 30, 2012 (Unaudited)	Six Month Period ended June 30, 2011 (Unaudited)
Statements of Income (Loss):				
Revenues:				
Rental income	$0	$20,435	$0	$52,484
Other income	2,500	1,176	2,500	1,176
Total Revenues	2,500	21,611	2,500	53,660
Expenses:				
Insurance expense	690	0	1,381	0
Professional services	480	316	2,040	1,058
Property tax expense	3,786	3,312	7,571	3,312
Other property expenses	7,063	0	14,429	0
Property impairment write-downs	0	540,118	0	540,118
Depreciation	0	5,737	0	11,473
Amortization	0	8,633	0	10,380
Total Expenses	12,019	558,116	25,421	566,341
Net Loss from Discontinued Operations	$(9,519)	$(536,505)	$(22,921)	$(512,681)

4. PARTNERSHIP AGREEMENT:

The Amended Agreement of Limited Partnership (as amended, supplemented or modified, the "Partnership Agreement") extends the term of the Partnership to November 30, 2020, or until dissolution prior thereto pursuant to the consent of the majority of the outstanding Limited Partnership Interests.

On May 26, 1993, pursuant to the results of a solicitation of written consents from the Limited Partners, the Partnership Agreement was amended to replace the former general partners and amend various sections of the agreement. The former general partners were replaced by the General Partner. Under the terms of the amendment, net profits or losses from operations are allocated 99% to the Limited Partners and 1% to the current General Partner. Additionally, the total compensation paid to all persons for the sale of the investment properties is limited to commissions customarily charged by other brokers in arm's-length sales transactions involving comparable properties in the same geographic area, not to exceed six percent of the contract price for the sale of the property. The General Partner may receive up to one-half of the competitive real estate commission, not to exceed three percent, provided that the General Partner provides a substantial amount of services, as defined by the General Partner, in the sales effort. It is further provided that a portion of the amount of such fees payable to the General Partner is subordinated to its success in recovering the funds misappropriated by the former general partners. See Note 6 for further information.

The Partnership Agreement, as amended, provides that (i) the "Distribution Quarter" is defined as the calendar quarter, and (ii) the distribution provisions are subordinate to the General Partner's share of distributions from Net Cash Receipts and Net Proceeds to the extent necessary for the General Partner to pay its federal and state income taxes on Partnership income allocated to the General Partner. Because these amendments do not adversely affect the rights of the Limited Partners, pursuant to section 10.2 of the Partnership Agreement, the General Partner can modify these provisions without a vote of the Limited Partners.

5. LEASES:

Original lease terms for the majority of the Properties are generally five to twenty years from their inception. The leases generally provide for minimum rents and additional rents based upon percentages of gross sales in excess of specified breakpoints. The lessee is responsible for occupancy costs such as maintenance, insurance, real estate taxes, and utilities. Accordingly, these amounts are not reflected in the statements of income except in circumstances where, in Management's opinion, the Partnership will be required to pay such costs to preserve its assets (i.e., payment of past-due real estate taxes). Management has determined that the leases are properly classified as operating leases; therefore, rental income is reported when earned on a straight-line basis and the cost of the property, excluding the cost of the land, is depreciated over its estimated useful life.

As of June 30, 2012, the aggregate minimum operating lease payments (including the aggregate total of the first and second quarters of 2012 collected revenues of $508,248) to be received under the current operating leases for the Partnership's properties are as follows:

Year ending December 31,	
2012	$1,002,830
2013	892,500
2014	856,500
2015	826,500
2016	813,882
Thereafter	3,399,543
	$7,791,755

Operating percentage rents included in operating rental income for the three month periods ended June 30, 2012 and 2011 were approximately $26,000 and $19,000, respectively. Operating percentage rents included in operating rental income for the six month periods ended June 30, 2012 and 2011 were approximately $26,000 and $50,000, respectively. The percentage rents for 2012 and 2011 included percentage rent accruals for tenants who had reached their sales breakpoints. The 2011 percentage rents also included the amount related to the formerly owned Denny’s, Phoenix, AZ property, which was sold in November of 2011. Total operating percentage rents included in rental income from operations in 2011 were approximately $431,000. At June 30, 2012 and December 31, 2011, rents and other receivables included approximately $26,000 and $404,000, respectively, of unbilled percentage rents. As of June 30, 2012, all of the 2011 percentage rents had been billed and collected.

At June 30, 2012, six of the Properties are leased to Wendgusta, two of the Properties are leased to Wendcharles I, and one of the properties is leased to Wendcharles II. As of June 30, 2012, the three tenants' operating base rents have accounted for approximately 54%, 15%, and 8%, respectively, of the total 2012 operating base rents to-date.

6. TRANSACTIONS WITH GENERAL PARTNER AND ITS AFFILIATES:

Pursuant to the terms of the Permanent Manager Agreement ("PMA") executed in 1993 and renewed for an additional two year term as of January 1, 2011, the General Partner receives a Base Fee for managing the Partnership equal to four percent of gross receipts, subject to an initial annual minimum amount of $159,000. The PMA also provides that the Partnership is responsible for reimbursement of the General Partner for office rent and related office overhead ("Expenses") up to an initial annual maximum of $13,250. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2012, the minimum annual Base Fee and the maximum Expense reimbursement increased by 3.16% from the prior year, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2012, the minimum monthly Base Fee paid by the Partnership was raised to $21,140 and the maximum monthly Expense reimbursement was increased to $1,705.

For purposes of computing the four percent overall fee paid to the General Partner, gross receipts include amounts recovered in connection with the misappropriation of assets by the former general partners and their affiliates. To date, TPG has received fees from the Partnership totaling $59,729 on the amounts recovered, which includes restoration fees received for 2012 and 2011 of $40 and $124, respectively. The fee received from the Partnership on the amounts recovered reduces the minimum monthly Base Fee by that same amount.

Amounts paid and/or accrued to the General Partner and its affiliates for the three and six month periods ended June 30, 2012 and 2011 are as follows:

	Incurred for the Three Month Period ended June 30, 2012 (Unaudited)	Incurred for the Three Month Period ended June 30, 2011 (Unaudited)	Incurred for the Six Month Period ended June 30, 2012 (Unaudited)	Incurred for the Six Month Period ended June 30, 2011 (Unaudited)
General Partner				
Management fees	$63,420	$61,352	$125,504	$122,041
Restoration fees	0	124	40	249
Overhead allowance	5,115	4,959	10,126	9,864
Other outsourced administrative fees	4,400	0	6,200	0
Lease Commissions	0	5,346	0	5,346
Reimbursement for out-of-pocket expenses	2,033	1,682	3,868	3,019
Cash distribution	227	459	444	712
	$75,195	$73,922	$146,182	$141,231

At June 30, 2012 and December 31, 2011, $227 and $1,757, respectively, was payable to the General Partner.

As of June 30, 2012 and December 31, 2011, TPG Finance Corp. owned 200 limited partnership units of the Partnership. The President of the General Partner, Bruce A. Provo, is also the President of TPG Finance Corp., but he is not a shareholder of TPG Finance Corp.

As of June 30, 2012, the General Partner did not own any Limited Partnership Interests in the Partnership. The following chart identifies the security ownership of the Partnership's principal executive officer and principal financial officer as the sole named executive officer:

Title of Class	Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percentage of Interests Outstanding(4)
Limited Partnership Interest	Bruce A. Provo	200 (2)(3)	0.43%

(1) A beneficial owner of a security includes a person who, directly or indirectly, has or shares voting or investment power with respect to such security. Voting power is the power to vote or direct the voting of the security and investment power is the power to dispose or direct the disposition of the security.
(2) Bruce A. Provo is deemed to have beneficial ownership of all of TPG Finance Corp.'s Limited Partnership interests in the Partnership due to his control as President of TPG Finance Corp.
(3) Bruce A. Provo may be deemed to beneficially own with such voting and investment power the Interests listed above.
(4) Based on 46,280.3 Limited Partnership Interests outstanding as of June 30, 2012.

7. TRANSACTIONS WITH OWNERS WITH GREATER THAN TEN PERCENT BENEFICIAL INTERESTS:

As of June 30, 2012, Advisory Board Member, Jesse Small, owned beneficially greater than ten percent of the Partnership's Units. Amounts paid to Mr. Small for his services as a member of the Advisory Board for the three and six month periods ended June 30, 2012 and 2011 are as follows:

	Incurred for the Three Month Period ended June 30, 2012 (Unaudited)	Incurred for the Three Month Period ended June 30, 2011 (Unaudited)	Incurred for the Six Month Period ended June 30, 2012 (Unaudited)	Incurred for the Six Month Period ended June 30, 2011 (Unaudited)
Advisory Board Fees paid	$875	$875	$1,750	$1,750

At June 30, 2012 and December 31, 2011 there were no outstanding Advisory Board Fees accrued and payable to Jesse Small.

8. CONTINGENT LIABILITIES:

According to the Partnership Agreement, as amended, TPG, as General Partner, may receive a disposition fee not to exceed three percent of the contract price on the sale of the three original partnerships' properties (See Note 2 for further information as to the original partnerships). In addition, fifty percent of all such disposition fees earned by TPG were to be escrowed until the aggregate amount of recovery of the funds misappropriated from the partnerships by the former general partners was greater than $4,500,000. Upon reaching such recovery level, full disposition fees would thereafter be payable and fifty percent of the previously escrowed amounts would be paid to TPG. At such time as the recovery exceeded $6,000,000 in the aggregate, the remaining escrowed disposition fees were to be paid to TPG. If such levels of recovery were not achieved, TPG would contribute the amounts escrowed toward the recovery until the three original partnerships were made whole. In lieu of a disposition fee escrow, the fifty percent of all such disposition fees previously discussed were paid directly to a restoration account and then distributed among the three original partnerships; whereby the three original partnerships recorded the recoveries as income (Note 2). After the recovery level of $4,500,000 was exceeded, fifty percent of the total disposition fee amount paid to the three original partnerships' recovery through the restoration account (in lieu of the disposition fee escrow) was refunded to TPG during March 1996. The remaining fifty percent amount allocated to the Partnership through the restoration account, and which was previously reflected as Partnership recovery income, may be owed to TPG if the $6,000,000 recovery level is met. As of June 30, 2012, the Partnership may owe TPG $16,296 if the $6,000,000 recovery level is achieved. TPG does not expect any future payment, as it is uncertain that such a $6,000,000 recovery level will be achieved.

9. PMA INDEMNIFICATION TRUST:

The PMA provides that TPG will be indemnified from any claims or expenses arising out of or relating to TPG serving in such capacity or as substitute general partner, so long as such claims do not arise from fraudulent or criminal misconduct by TPG. The PMA provides that the Partnership fund this indemnification obligation by establishing a reserve of up to $250,000 of Partnership assets which would not be subject to the claims of the Partnership's creditors. An Indemnification Trust ("Trust") serving such purposes has been established at United Missouri Bank, N.A. The corpus of the Trust has been fully funded with Partnership assets. Funds are invested in U.S. Treasury securities. In addition, $201,783 of earnings has been credited to the Trust as of June 30, 2012. The rights of TPG to the Trust shall be terminated upon the earliest to occur of the following events: (i) the written release by TPG of any and all interest in the Trust; (ii) the expiration of the longest statute of limitations relating to a potential claim which might be brought against TPG and which is subject to indemnification; or (iii) a determination by a court of competent jurisdiction that TPG shall have no liability to any person with respect to a claim which is subject to indemnification under the PMA. At such time as the indemnity provisions expire or the full indemnity is paid, any funds remaining in the Trust will revert back to the general funds of the Partnership.

10. FORMER GENERAL PARTNERS' CAPITAL ACCOUNTS:

The capital account balance of the former general partners as of May 26, 1993, the date of their removal as general partners pursuant to the results of a solicitation of written consents from the Limited Partners, was a deficit of $840,229. At December 31, 1993, the former general partners' deficit capital account balance in the amount of $840,229 was reallocated to the Limited Partners.

11. NOTE RECEIVABLE:

A sales contract was executed on September 30, 2009 for the installment sale of the Panda Buffet property to the tenant for $520,000 (sales amount was to be reduced to $450,000 if closing occurred on or before November 15, 2009). The closing date on the sale of the property was November 12, 2009 at a sales price of $450,000. The buyer paid $150,000 at closing with the remaining balance of $300,000 being delivered in the form of a promissory note ("Buyers Note") to the Partnership. A net gain on the sale of approximately $29,000 was recognized in the Fourth Quarter of 2009. The Buyers Note reflects a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly and principal amortized over a period of ten years beginning December 1, 2009 with a balloon payment due November 1, 2012. Pursuant to the Buyers Note, there will be no penalty for early payment of principal. The Buyers Note also requires the buyer to escrow property taxes with the Partnership beginning January of 2010 at $1,050 per month (lowered to $900 beginning February 1, 2011 and $700 beginning February 1, 2012). The property tax escrow cash balance held by the Partnership amounted to approximately $7,000 at June 30, 2012, and is included in the property tax payable in the condensed balance sheets.

Per the Buyer's Note amortization schedule, the monthly payments are to total approximately $3,522 per month. The amortized principal payments yet to be received under the Buyer's Note amounted to $253,247 as of December 31, 2011. During the six month period ended June 30, 2012, six note payments were received by the Partnership and totaled $12,134 in principal and $8,998 in interest.

12. FAIR VALUE DISCLOSURES

The Partnership has determined the fair value based on hierarchy that gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the accounting principle are described below:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment.

Level 3. Unobservable inputs for which there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation and the use of discounted cash flow models to value the investment.

The fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Partnership assesses the levels of the Investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Partnership's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the three and six month periods ended June 30, 2012 and 2011, there were no such transfers.

Fair Value on a Nonrecurring Basis- Vacant, Phoenix, AZ Property

Certain assets and liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). The following table presents the assets and liabilities carried on the balance sheet by caption and by level within the fair valuation hierarchy (as described above) as of June 30, 2012 and December 31, 2011, for which a nonrecurring change in fair value was recorded during the fiscal year 2011 for the vacant Phoenix, AZ property.

	Carrying Value at June 30, 2012 and December 31, 2011			
	Total	Level 1	Level 2	Level 3
Vacant Phoenix, AZ Property	$150,000	$ -	$ -	$150,000
Total properties	$150,000	$ -	$ -	$150,000

Investment property measured at fair value on a nonrecurring basis relates to land, building and improvements that were held for investment or held for sale. The fair value of these assets was determined by Management and incorporates Management's knowledge of comparable properties, past experience and future expectations.

There were no fair value adjustments in the three and six month periods ended June 30, 2012 and 2011. During the three and six month periods ended June 30, 2011, losses of $540,118 were recorded and represented property impairment charges related to the vacant Phoenix, AZ property.

13. SUBSEQUENT EVENTS

Vacant, Phoenix, AZ Property

On July 23, 2012 the potential buyer, in accordance with the Contract, elected to extend the closing date by 30 days and paid a non-refundable $10,000 extension fee to the independent escrow company.

The extension would provide for a closing date no later than October 11, 2012.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT

Item 2 of this Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this section and located elsewhere in this Quarterly Report on Form 10-Q regarding the prospects of our industry as well as the Partnership's prospects, plans, financial position and business strategy may constitute forward-looking statements. These forward-looking statements are not historical facts but are the intent, belief or current expectations of Management based on its knowledge and understanding of the business and industry. Words such as "may," "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "would," "could," "should" and variations of these words and similar expressions are intended to identify forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. These statements are not guarantees of the future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. The Partnership cautions readers not to place undue reliance on forward-looking statements, which reflect Management's view only as of the date of this Form 10-Q. All subsequent written and oral forward-looking statements attributable to the Partnership, or persons acting on the Partnership's behalf, are expressly qualified in their entirety by this cautionary statement. Management undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this Form 10-Q include, without limitation, changes in general economic conditions, changes in real estate conditions, including without limitation, decreases in valuations of real properties, increases in property taxes and lack of buyers should the Partnership want to dispose of a property, lease-up risks, ability of tenants to fulfill their obligations to the Partnership under existing leases, sales levels of tenants whose leases include a percentage rent component, adverse changes to the restaurant market, entrance of competitors to the Partnership's lessees in markets in which the Properties are located, inability to obtain new tenants upon the expiration of existing leases, the potential need to fund tenant improvements or other capital expenditures out of operating cash flows and our inability to realize value for Limited Partners upon disposition of the Partnership's assets.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate these estimates, including investment impairment. These estimates are based on Management's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Partnership believes that its most significant accounting policies deal with:

Depreciation methods and lives- Depreciation of the Properties is provided on a straight-line basis over the estimated useful life of the buildings and improvements. While the Partnership believes these are the appropriate lives and methods, use of different lives and methods could result in different impacts on net income. Additionally, the value of real estate is typically based on market conditions and property performance, so depreciated book value of real estate may not reflect the market value of real estate assets.

Revenue recognition- Rental revenue from investment properties is recognized on the straight-line basis over the life of the respective lease when collectability is assured. Percentage rents are accrued only when the tenant has reached the sales breakpoint stipulated in the lease.

Impairment-The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets. Based on this analysis, if deemed necessary, a provision for possible loss is recognized.

Investment Properties

As of June 30, 2012, the Partnership owned property leased to thirteen fully constructed fast-food restaurants, which includes one vacant property in Phoenix, AZ that was reclassified to properties held for sale during the third quarter of 2011 (formerly operated as a China Super Buffet restaurant ("China Buffet")). In addition, one property is located on a parcel of land which is subject to a ground lease (see paragraph below). The twelve tenants are composed of the following: nine Wendy's restaurants, an Applebee's restaurant, a KFC restaurant, and a Daytona's All Sports Café ("Daytona's"). The thirteen properties are located in a total of six states.

Property taxes, general maintenance, insurance and ground rent on the Partnership's Properties are the responsibility of the tenant. However, when a tenant fails to make the required tax payments or when a property becomes vacant (such as the Phoenix, AZ property, which formerly operated as China Buffet), the Partnership makes the appropriate property tax payments to avoid possible foreclosure of the property. In a property vacancy the Partnership pays for insurance and maintenance related to the vacant property.

Such taxes, insurance and ground rent are accrued in the period in which the liability is incurred. The Partnership leases property to one restaurant, which is located on a parcel of land where the Partnership holds a long-term ground lease, as lessee, which is set to expire in 2018. The Partnership has the option to extend the lease for two additional ten year periods. The Partnership owns all improvements constructed on the land (including the building and improvements) until the termination of the ground lease, at which time all constructed improvements will become the land owner's property. The tenant, KFC, is responsible for the $3,400 per month ground lease payment per the terms of its lease with the Partnership.

There were no building improvements capitalized during the three month period ending June 30, 2012.

In accordance with Financial Accounting Standards Board ("FASB") guidance for "Accounting for the Impairment or Disposal of Long-Lived Assets", current and historical results from operations for disposed properties and assets classified as held for sale are reclassified separately as discontinued operations. The guidance also requires the adjustment to carrying value of properties due to impairment in an attempt to reflect appropriate market values.

The following summarizes significant developments as of June 30, 2012, by property, for Properties with such developments.

In late September of 2011 Management executed an Agency and Marketing Agreement ("Agreement") with an unaffiliated Agent. The Agreement gave the Agent the exclusive right to sell the vacant Phoenix, AZ property and the Denny's, Phoenix, AZ property through auction, sealed bid, hybrid sealed bid, on-line bid or through private negotiations. The Agreement terminated 30 days after the Live Outcry Auction date of October 18, 2011 in relation to the vacant property, and at the closing sale date for the Denny's, Phoenix, AZ property (see further information by property below). A marketing fee of approximately $7,700 was paid to the Agent in September of 2011 for the purpose of advertising, marketing and promoting the properties to the buying public. The vacant Phoenix, AZ property did not sell at the October 18, 2011 auction; however, Management continued to market the property to potential buyers.

Vacant Phoenix, AZ Property

The China Buffet restaurant ceased operations and vacated the Phoenix, AZ property in late June of 2011. Management regained possession of the property in July and lease obligation charges ceased as of June 30, 2011.

The vacant property was reclassified to properties held for sale during the third quarter of 2011 upon the execution of the Agreement.

The carrying amount of the vacant Phoenix, AZ property was reduced by $390,117 during the fiscal year 2011, to its estimated fair value of $150,000. The net book value of the vacant, Phoenix, AZ property at June 30, 2012, classified as property held for sale in the condensed financial statements, was approximately $152,000, which included $123,000 related to land, $27,000 related to building, net of accumulated depreciation, $9,300 related to a utilities security deposit, $400 related to rents and other receivables, $200 related to prepaid insurance, $700 related to accounts payable and accrued expenses and $7,600 related to property tax payable.

A contract ("Contract") to sell the vacant Phoenix, AZ property to an unaffiliated party was executed on February 14, 2012 for the sale price of $325,000. The potential buyer provided an earnest money deposit of $25,000, which is held by an independent escrow company. Per the First Amendment to the Contract ("Amendment") dated April 23, 2012, a non-refundable feasibility 30-day extension fee of $2,500 was released from the $25,000 earnest money deposit ("Deposit") and paid to the Partnership. Per the Amendment, the potential Buyer replenished the $2,500 to the Deposit prior to the expiration of the feasibility period (May 22, 2012).

Per the Contract, closing is anticipated to occur prior to and up to 210 days out from the Contract execution date. Closing costs are estimated to be approximately $30,000, which includes commissions totaling approximately $23,000 in the aggregate, which are anticipated to be paid to two unaffiliated brokers.

The sales Contract has various due diligence and feasibility periods, as well as additional extensions and Management has no measure of certainty that the Contract will close or if a specific and unique re-use of the now vacant property will materialize. Therefore, the $150,000 net book value for the vacant property at June 30, 2012, is its estimated fair value based on income capitalization calculations using historical capitalization rates (used by Management in relation to the property for annual Partnership Net Unit Valuations) applied to independently identified market rents, less known re-leasing costs such as estimated roof, parking lot and miscellaneous repairs, as well as leasing commissions. The estimated fair value is not necessarily what the Partnership will settle (sales price net of closing costs), within an actual arms length sales transaction of the vacant property.

The vacated use (China Buffet) was already deemed the lowest use remaining to occupy the space originally occupied by a national chain. Based on Management's prior experience incurring significant carrying costs on vacant properties, the current strategy for distressed property is cost containment with an accelerated disposition motivation being the elimination of future carrying costs of uncertain duration and amounts. Management does recognize the exposures of continuing carrying costs of a vacant property to operations. Management does not believe it is in the best interest of the Limited Partners to hold the property and incur carrying costs, such as property tax, utilities, maintenance and repair, security, and other unknown liabilities for an uncertain and prolonged period. Management believes the greatest benefit to the overall value of the remaining portfolio would be the elimination of uncertainties surrounding a troubled asset by aggressive disposition. Management's primary objective is to limit the earnings impairment from continued carrying costs related to the vacant property.

Applebee's, Columbus, OH Property

An Amendment and Extension of Lease ("Amendment") was executed with the Applebee's restaurant occupying the property located in Columbus, OH on November 4, 2009. The Amendment, effective as of November 1, 2009, provides for an annual base rent of $135,996 and is set to expire on October 31, 2012. The Amendment also provides Applebee's five options to renew the lease for an additional two years (base rent is to increase by 2% percent for each year of each option). The Amendment also increased the percentage rent sales breakpoint from $1,500,000 to $2,300,000 and decreased the additional percentage rent from 7% to 5%.

Daytona's All Sports Café, Des Moines, IA Property

The second amendment to the lease for the Daytona's All Sports Café ("Daytona's") located in Des Moines, IA expired on May 31, 2011. In April of 2011, Management and Daytona's signed a letter of intent ("LOI") which agreed to a three year lease amendment and extension which was to begin on June 1, 2011 and expire on May 31, 2014. The third amendment to the lease was executed in early May of 2011 and provides for an annual base rent of $72,000, rent abatement for June for each of the three years, and a continued potential $600 rent credit per month for both timely payment and sales reporting. In addition, Daytona's is to pay as percentage rent 8% of its annual sales over $850,000. During 2011, Daytona's reported sales to the Partnership of approximately $760,000. A leasing commission of approximately $5,000 was paid in May of 2011 to a General Partner affiliate upon the execution of the third lease amendment and extension.

Beginning in December of 2005, Management requested that Daytona's escrow its future property tax liabilities with the Partnership on a monthly basis. As of June 30, 2012, Daytona's was current on its monthly rent and property tax escrow obligations. The escrow payments held by the Partnership totaled approximately $26,000 and were included in property tax payable in the Partnership's condensed balance sheets.

Wendy's- 361 Highway 17 Bypass, Mt. Pleasant, SC Property

On November 30, 2010, the County of Charleston made a purchase offer ("Initial Offer") of approximately $177,000 to the Partnership in connection with an eminent domain (condemnation) land acquisition of approximately 5,000 square feet of the approximately 44,000 square feet of the Wendy's- Mt. Pleasant, SC ("Wendy's- Mt. Pleasant") property. The proposed land purchase is for "Right of Way" for planned road improvements. Unfortunately, the plan provides for the relocation of ingress and egress that could make the operations of the Wendy's restaurant uneconomic.

In October of 2011, the Partnership received Notice ("Condemnation Notice") that the County of Charleston filed condemnation proceedings on October 12, 2011, which in effect permits the County of Charleston to take possession of approximately 5,000 square feet of the Wendy's- Mt. Pleasant property and to begin construction of the planned road improvements. The County of Charleston deposited the Initial Offer of $177,000 with the Charleston County Clerk of Court as is required under South Carolina law. The Partnership had until November 11, 2011, to reject the Initial Offer ("Tender of Payment") for the purchase of the property. The Partnership rejected the Tender of Payment; however, the Initial Offer is still valid during the period the Partnership disputes the County of Charleston's position that the $177,000 reflects just compensation for the taking of the property. During October of 2011, by and through respective legal counsel, the Partnership and the lessee, Wendcharles, each filed a Notice of Court Appearance ("Notice of Appearance") and requested a jury trial. In addition, the Partnership and the lessee served one set of joint initial discovery requests ("Interrogatories" and "Requests for Production") with the County of Charleston requesting information about and access to up-to-date project plans and any and all other information pertaining to this matter. Management will continue to actively work with legal counsel and Wendcharles I to facilitate a settlement with the County of Charleston and the re-engineering of the County's plans to preserve the viability of the site for Wendy's operational use. The net book value of the land to be purchased is $33,991 and was reclassified to a property held for sale during the fourth quarter of 2010.

Formerly Owned Panda Buffet Restaurant- Grand Forks, ND Property

A sales contract was executed on September 30, 2009 for the installment sale of the Panda Buffet restaurant property ("Panda Buffet") located in Grand Forks, ND to the owner tenant. The Partnership completed the sale of the Panda Buffet property on November 12, 2009 for $450,000. The buyer paid $150,000 at closing with the remaining balance of $300,000 being delivered in the form of a Promissory note ("Buyers Note") to the Partnership. The Buyers Note reflects a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly. Principal is amortized over a period of ten years beginning December 1, 2009 with a balloon payment due on November 1, 2012. Pursuant to the Buyers Note, there will be no penalty for early payment of principal. The Buyers Note also requires the buyer to escrow property taxes with the Partnership beginning January of 2010 at $1,050 per month (lowered to $900 beginning February 1, 2011 and $700 beginning January 1, 2012). As of June 30, 2012, the buyer was current on its 2012 monthly property tax escrow obligations and escrow payments. The property tax escrow cash balance held by the Partnership amounted to approximately $7,000 at June 30, 2012, and is included in the property tax payable in the condensed balance sheets.

Per the Buyer's Note amortization schedule, the monthly payments are to total approximately $3,522 per month through October of 2012 and the balloon payment in November of 2012 is to total $232,777. The amortized principal payments yet to be received under the Buyer's Note amounted to $253,247 as of

December 31, 2011. During the six month period ended June 30, 2012, six note payments were received by the Partnership and totaled $12,134 in principal and $8,998 in interest.

Net Income

Net income (loss) for the three month periods ended June 30, 2012 and 2011 were approximately $57,000 and ($425,000), respectively. Net income (loss) for the six month periods ended June 30, 2012 and 2011 were approximately $111,000 and ($362,000), respectively. Net income(loss) per Limited Partnership Interest for the three month periods ended June 30, 2012 and 2011 were approximately $1.21 and $(9.10) respectively. Net income (loss) per Limited Partnership Interest for the six month periods ended June 30, 2012 and 2011 were approximately $2.37 and $(7.75), respectively.

The variance is primarily due to: (i) the write-down of the vacant Phoenix, AZ property to its estimated fair market value during the second quarter of 2011; (ii) lower rental income in 2012 due to the vacancy of the former China Buffet, Phoenix, AZ property as of June 30, 2011, and the November of 2011 sale of the Denny's, Phoenix, AZ property; (iii) lower depreciation expense in 2012 due to the reclassification of the vacant and former Denny's, Phoenix, AZ properties to properties held for sale during the third quarter of 2011; and (iv) higher property tax and other property expenses in 2012 (included in discontinued operations) in relation to the vacant Phoenix, AZ property.

Net income for the three and six months periods ended June 30, 2012 and 2011 included the results from both operations and discontinued operations. Assets disposed of or deemed to be classified as held for sale require the reclassification of current and previous years' operations to discontinued operations in accordance with GAAP applicable to "Accounting for the Impairment or Disposal of Long Lived Assets". As such, prior year operating results for those properties considered as held for sale or properties no longer considered for sale have been reclassified to conform to the current year presentation without effecting total net income. When properties are considered held for sale, depreciation of the properties is discontinued, and the properties are valued at the lower of the depreciated cost or fair value, less costs to dispose.

Results of Operations

Income from continuing operations for the three month periods ended June 30, 2012 and 2011 were $66,000 and $111,000, respectively. Income from continuing operations for the six month periods ended June 30, 2012 and 2011 were $134,000 and $150,000, respectively. See the paragraphs below for further information as to 2012 and 2011 variances of individual operating income and expense items

Three month period ended June 30, 2012 as compared to the three month period ended June 30, 2011:

Operating Rental Income: Rental income for the three month periods ended June 30, 2012 and 2011 were approximately $281,000 and $276,000, respectively. The rental income was comprised primarily of monthly lease obligations and included adjustments for straight-line rent.

General and Administrative Expense: General and administrative expenses for the three month periods ended June 30, 2012 and 2011 were approximately $27,000 and $15,000, respectively. General and administrative expenses were comprised of management expense, state/city registration and annual report filing fees, XBRL outsourced fees, office supplies, printing costs, outside storage expenses, copy/fax costs, postage and shipping expenses, long-distance telephone expenses, website fees, bank fees and state income tax expenses. The variance is due primarily to an increase in management fees, outsourced XBRL fees and state estimated income tax expenditures for 2012.

Professional services: Professional services expenses for the three month periods ended June 30, 2012 and 2011 were approximately $81,000 and $48,000, respectively. Professional services expenses were primarily comprised of investor relations data processing, investor mailings processing, website design, legal, auditing and tax preparation fees, and SEC report conversion and processing fees. The variance in professional services expenses is due primarily due to the timing of services performed related to audit and tax preparation (audit and tax preparation fees can only be accrued and expensed when incurred).

Recovery of Amounts Previously Written-off: Recovery of amounts previously written-off for the three month periods ended June 30, 2012 and 2011 were approximately $0 and $3,000, respectively, and were comprised of small recoveries from former general partners.

<u>Six month period ended June 30, 2012 as compared to the six month period ended June 30, 2011:</u>

Operating Rental Income: Rental income for the six month periods ended June 30, 2012 and 2011 were approximately $537,000 and $535,000, respectively. The rental income was comprised primarily of monthly lease obligations and included adjustments for straight-line rent.

Management expects total base operating rent revenues to be approximately $1 million for the year 2012 based on operating leases currently in place. Total base operating revenue for 2012 may increase by approximately $23,000 if Applebee's exercises its first of five options to renew its lease for an additional two years (base rent will increase by 2% percent for each year of each option). The fixed rent increases associated with Applebee's offsets some of the loss of potential percentage rents from the tenant due to an increase in its sales breakpoint. In addition, future operating rent revenues may decrease with tenant defaults and/or the reclassification of properties as properties held for sale. They may also increase with additional rents due from tenants, if those tenants experience increased sales levels, which require the payment of additional rent to the Partnership. Operating percentage rents included in rental income from operations in 2011 was $431,000, and Management expects the 2012 percentage rents to be slightly lower than 2012 due to the sale of the Denny's, Phoenix, AZ property in November of 2011.

Insurance Expense: Insurance expense for the six month periods ended June 30, 2012 and 2011 were approximately $3,000. The 2012 and 2011 insurance expenses were related to a general liability policy. For 2012, Management expects insurance expense to be approximately $7,000. This amount could increase upon a property insurance default by a tenant or an increase in the general liability insurance premium for the 2012/2013 insurance year that is expected to be paid in the fourth quarter of 2012.

General and Administrative Expense: General and administrative expenses for the six month periods ended June 30, 2012 and 2011 were approximately $54,000 and $40,000, respectively. General and administrative expenses were comprised of management expense, state/city registration and annual report filing fees, office supplies, printing costs, outside storage expenses, copy/fax costs, postage and shipping expenses, long-distance telephone expenses, website fees, bank fees and state income tax expenses. Management expects the total 2012 operating general and administrative expenses to potentially be approximately eight percent higher than the 2011 expenses, primarily due to increased postage rates, higher management and outsourced service fees and higher state and local income tax expenditures.

Professional services: Professional services expenses for the six month periods ended June 30, 2012 and 2011 were approximately $137,000 and $142,000, respectively. Professional services expenses were primarily comprised of investor relations data processing, investor mailings processing, website design, legal, auditing and tax preparation fees, and SEC report conversion and processing fees. The variance in professional services expenses is due primarily due to the timing of services performed related to audit and tax preparation (audit and tax preparation fees can only be accrued and expensed when incurred). Management anticipates that the total 2012 operating professional services expenses will be approximately seven percent higher than 2011 due primarily to the additional SEC mandated XBRL financial statement footnotes conversion and filing requirements for the Partnership beginning in the second quarter of 2012.

Recovery of Amounts Previously Written-off: Recovery of amounts previously written-off for the six month periods ended June 30, 2012 and 2011 were approximately $1,000 and $6,000, respectively, and were comprised of small recoveries from former general partners. Management anticipates that such revenue type may continue to be generated until Partnership dissolution; however, no significant recoveries are anticipated.

Results of Discontinued Operations

In accordance with FASB guidance for “Accounting for the Impairment or Disposal of Long Lived Assets”, discontinued operations represent the operations of properties disposed of or classified as held for sale as well as any gain or loss recognized in their disposition. During the three month period ended June 30, 2012 and 2011, the Partnership recognized a loss from discontinued operations of approximately $10,000 and $537,000, respectively. During the six month period ended June 30, 2012 and 2011, the Partnership recognized a loss from discontinued operations of approximately $23,000 and $513,000, respectively. The 2012 and 2011 (loss) income from discontinued operations was attributable to the third quarter of 2011 reclassifications of the vacant Phoenix, AZ property and the formerly owned Denny’s, Phoenix, AZ property (sold in November of 2011) to properties held for sale upon the execution of the Agency and Marketing Agreement with an unaffiliated party in September of 2011 to sell both of the properties.

Management anticipates that discontinued operating expenditures in 2012 may approximate at least $3,000 per month in relation to security and patrol, property tax and insurance, maintenance, and utilities in relation to the vacant Phoenix, AZ property which is classified as property held for the sale in the balance sheets as of June 30, 2012. A summary of significant developments as of June 30, 2012, for the vacant Phoenix, AZ property can be found in Item 2, Properties.

Cash Flow Analysis

Net cash flows provided by operating activities for the six month periods ended June 30, 2012 and 2011 were approximately $607,000 and $669,000, respectively The variance in cash provided by operating activities from 2012 to 2011 is primarily due to: (i) the 2011 percentage rents collected in the first quarter of 2012 were higher than the 2010 percentage rents collected in the first quarter of 2011 due to higher tenant sales reported and recorded for 2011 as compared to 2010; (ii) the timing of payment of vendor invoices; (iii) lower rental income collections in 2012 due to the vacancy of the Phoenix, AZ property (formerly operated as the Chinese Buffet) as of June 30, 2011, and the sale of the former Denny’s, Phoenix, AZ property in November of 2011; and (iv) higher property expense disbursements in 2012 (included in discontinued operations) in relation to the vacant Phoenix, AZ property.

Cash flows provided from (used in) investing activities for the six month periods ended June 30, 2012 and 2011 were approximately $13,000 and $12,000, respectively. The 2012 and 2011 amounts were comprised of the receipt of note receivable principal payments from the Buyer’s Note in relation to the 2009 sale of the Panda Buffet property, and small recoveries from former general partners. An additional

$241,113 in principal payments under the Buyer’s Note is scheduled to be received during 2012 (see Note 11 to condensed financial statements). Management anticipates that small recoveries from former general partners may continue to be generated until Partnership dissolution; however, no significant recoveries are anticipated.

For the six month period ended June 30, 2012, cash flows used in financing activities was $876,000 and consisted of aggregate Limited Partner distributions of $875,000, which included approximately $444,000 in net sale proceeds from the November of 2011 sale of the Denny’s, Phoenix, AZ property and approximately $12,000 in Buyer’s Note principal payments received in relation to the 2009 sale of the Panda Buffet property, and General Partner distributions of $444. For the six month period ended June 30, 2011, cash used in financing activities was $536,000 and consisted of aggregate Limited Partner distributions of $535,000, which included net sale proceeds of approximately $7,000 from the December of 2010 sale of the vacant Park Forest, IL property and approximately $11,000 in Buyer’s Note principal payments received in relation to the 2009 sale of the Panda Buffet property, and General Partner distributions of $712. Distributions have been and will continue to be made in accordance with the Partnership Agreement.

Liquidity and Capital Resources

The Partnership’s cash balance was $516,000 at June 30, 2012. Cash of $180,000, including approximately $6,000 in Buyer’s Note principal and interest payments received, is anticipated to be used to fund the anticipated second quarter of 2012 aggregate distribution to Limited Partners in August of 2012, and cash of approximately $19,000 is anticipated to be used for the payment of quarter-end accrued liabilities, net of property tax cash escrow, which are included in the balance sheets. The remainder represents amounts deemed necessary to allow the Partnership to operate normally.

The Partnership’s principal demands for funds are expected to be for the payment of operating expenses and distributions. Management anticipates that cash generated through the operations of the Partnership's Properties and sales of Properties will primarily provide the sources for future fund liquidity and Limited Partner distributions. During the process of leasing the Properties, the Partnership may experience competition from owners and managers of other properties. As a result, in connection with negotiating tenant leases, along with recognizing market conditions, Management may offer rental concessions, or other inducements, which may have an adverse impact on the results of the Partnership’s operations. The Partnership is also in competition with sellers of similar properties to locate suitable purchasers for its Properties. The two primary liquidity risks in the absence of mortgage debt are the Partnership’s inability to collect rent receivables and near or chronic property vacancies. The amount of cash to be distributed to our Limited Partners is determined by the General Partner and is dependent on a number of factors, including funds available for payment of distributions, capital expenditures, and taxable income recognition matching, which is primarily attributable to percentage rents and property sales.

As of June 30, 2012, the current twelve operating Properties were leased 100 percent. In addition, the Partnership collected 100% of its base rent from current operating tenants for the period ended June 30, 2012 and the fiscal year ended December 31, 2011, which we believe is a good indication of overall tenant quality and stability. Only the Applebee’s, Columbus, OH lease is due to expire within 2012. The vacant Phoenix, AZ property (China Buffet ceased operations and vacated the Phoenix, AZ property in late June of 2011) rent charges ceased as of June 30, 2011. The property was reclassified to properties held for sale during the third quarter of 2011. See Item 2, Investment Properties for further information regarding properties with significant developments.

Nine of the Partnership's thirteen properties operate as Wendy's fast food restaurants and are franchises of the international Wendy's Company. Operating base rents from the nine Wendy's leases comprised approximately 77% of the total 2012 operating base rents to-date. As of June 30, 2012 there was approximately $26,000 in additional 2012 percentage rents recognized in operating rental income in relation to the Wendy's properties, all of which were unbilled as of June 30, 2012. At December 31, 2011, additional 2011 percentage rents totaled approximately $419,000, of which $417,000 were unbilled and accrued in relation to the Wendy's properties. Therefore, during the fiscal year 2011, the Partnership generated approximately 81% of its total operating revenues from the nine properties. Additionally, as of June 30, 2012, the nine Properties exceeded 69% of the Partnership's total properties, both by asset value and number. Eight of the nine Wendy's leases are set to expire in November of 2021, with the remaining lease set to expire in November of 2016.

Since more than 69% of the Partnership's Properties, both by historical asset value and number, are leased to Wendy's franchises, the financial status of the three tenants may be considered relevant to investors. At the request of the Partnership, Wendgusta, Wendcharles I and Wendcharles II provided the Partnership with a copy of their reviewed financial statements for the fiscal years ended December 25, 2011 and December 26, 2010. Those reviewed financial statements prepared by Wendgusta's, Wendcharles I's and Wendcharles II's accountants are attached as Exhibit 99.0, 99.1 and 99.2, respectively, to the Partnership's December 31, 2011 Annual Report on Form 10-K, filed with the SEC on April 16, 2012. The Partnership has no rights to audit or review Wendgusta's or Wendcharles I's or Wendcharles II's financial statements and the Partnership's independent registered public accounting firm has not audited or reviewed the financial statements received from Wendgusta, Wendcharles I or Wencharles II.

Disposition Policies

Management intends to hold the Partnership Properties until such time as sale or other disposition appears to be advantageous to achieve the Partnership's investment objectives or until it appears that such objectives will either currently not be met or not be met in the future. In deciding whether to sell properties, Management considers factors such as potential capital appreciation or depreciation, cash flow and federal income tax considerations, including possible adverse federal income tax consequences to the Limited Partners. The General Partner may exercise its discretion as to whether and when to sell a property, and there is no obligation to sell properties at any particular time, except upon Partnership termination on November 30, 2020 or if Limited Partners holding a majority of the units vote to liquidate and dissolve the Partnership in response to a formal consent solicitation to liquidate the Partnership.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

As a smaller reporting company, the Partnership is not required to provide the information required by Item 305 of Regulation S-K.

Item 4. Controls and Procedures

Controls and Procedures

As of June 30, 2012, the Partnership's Management, and the Partnership's principal executive officer and principal financial officer have concluded that the Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report were effective based on the evaluation of these controls and procedures as required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Securities Exchange Act of 1934, as amended.

Changes in Internal Control over Financial Reporting

There has been no change in the Partnership's internal control over financial reporting (as such term is defined in Rules 13a - 15(f) and 15d – 15(f) under the Exchange Act) that occurred during the fiscal quarter ending June 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the Partnership’s business to which the Partnership is a party.

Item 1a. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Listing of Exhibits

4.1 Agreement of Limited Partnership dated as of November 20, 1987, amended as of November 25, 1987, and February 20, 1988, filed as Exhibit 3A to Amendment No. 1 to the Partnership's Registration Statement on Form S-11 as filed on February 22, 1988, and incorporated herein by reference.

4.2 Amendments to Amended Agreement of Limited Partnership dated as of June 21, 1988, included as part of Supplement dated August 15, 1988, filed under Rule 424(b)(3), incorporated herein by reference.

4.3. Amendment to Amended Agreement of Limited Partnership dated as of February 8, 1993, filed as Exhibit 3.3 to the Partnership's 10-K for the year ended December 31, 1992, Commission File 0-17686, and incorporated herein by reference.

4.4 Amendment to Amended Agreement of Limited Partnership dated as of May 26, 1993, filed as Exhibit 3.4 to the Partnership's 10-K for the year ended December 31, 1993, Commission File 0-17686, and incorporated herein by reference.

4.5 Amendment to Amended Agreement of Limited Partnership dated as of June 30, 1994, filed as Exhibit 3.5 to the Partnership's 10-K for the year ended December 31, 1994, Commission File 0-17686, and incorporated herein by reference.

4.6 Amendment to Amended Agreement of Limited Partnership dated as of November 9, 2009, filed as Exhibit 4.1 to the Partnership Quarterly Report on Form 10-Q filed November 12, 2009, Commission File 0-17686, and incorporated herein by reference.

4.7 Certificate of Limited Partnership dated November 20, 1987, filed as Exhibit 4.7 to the Partnership Annual Report on Form 10-K filed April 16, 2012, Commission File 0-17686, and incorporated herein by reference.

31.1 302 Certifications

32.1 Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350.

99.1 Correspondence to the Limited Partners, scheduled to be mailed August 15, 2012, regarding the second quarter of 2012 distribution.

101 The following materials from the Partnership’s Quarterly Report on Form 10-Q for the quarter ended, formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Balance Sheets at June 30, 2012 and December 31, 2011, (ii) Condensed Statements of Income for the three and six month periods ended June 30, 2012 and 2011, (iii) Condensed Statement of Cash Flows for the six month periods ended June 30, 2012 and 2011, and (v) Notes to the Condensed Financial Statements.[1]

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[1] In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) , or otherwise subject to the liability of that section, and shall not be part of any registration statement or other document filed under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

By: The Provo Group, Inc., General Partner

By: /s/Bruce A. Provo
Bruce A. Provo, President
(principal executive officer, principal financial officer and principal accounting officer of the Partnership)

Date: August 14, 2012

Exhibit 31.1

DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP

CERTIFICATIONS

I, Bruce A. Provo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DiVall Insured Income Properties 2 Limited Partnership;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a- 15(f) and 15d- 15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2012

By: /s/ Bruce A. Provo
President, Chief Executive Officer and
Chief Financial Officer of the
Provo Group, Inc., the General Partner
of the Partnership
(principal executive officer and principal
financial officer of the registrant)

Exhibit 32.1

DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP

Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer and principal financial officer of Divall Insured Income Properties 2 Limited Partnership (the "Company") certifies that the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2012 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

THE PROVO GROUP, INC., General Partner

Dated: August 14, 2012

By: /s/ Bruce A. Provo
President, Chief Executive Officer and
Chief Financial Officer of the
Provo Group, Inc., the General Partner
of the Partnership
(principal executive officer and principal
financial officer of the registrant)

This certification is made solely for the purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

DiVall Insured Income Properties 2, L.P.

QUARTERLY NEWS

August 15, 2012

A Publication of The Provo Group, Inc. SECOND QUARTER 2012

SECOND QUARTER OF 2012 DISTRIBUTION…

The Partnership is distributing $180,000 for the Second Quarter of 2012, which is $3.89 per unit. This is $30,000 ($.65 per unit) lower than planned due primarily to the billing of audit services in the second quarter expected in the first quarter. We distributed $25,000 more in the first quarter because of this timing difference. We only distribute "actual" adjusted net cash flow.

As previously reported the Third Quarter of 2012 aggregate distribution, which is anticipated to be mailed in November of 2012, is estimated at $210,000 ($4.54 per Unit), and the Fourth Quarter of 2012 aggregate distribution, which is anticipated to be mailed in February of 2013, is estimated at $440,000 ($9.51per Unit), assuming that the Partnership receives timely payment of a Buyer's Mortgage Note balloon payment in November of 2012.

ADDITIONAL FINANCIAL INFORMATION CAN BE ACCESSED…

For further Quarterly 2012 unaudited financial information, see the Partnership's interim financial reports filed on Form 10-Q. A copy of the First Quarter 2012 10-Q and other public reports can be viewed and printed free of charge at the Partnership's website at www.divallproperties.com or at the SEC's website at www.sec.gov. The Partnership's 2012 Second Quarter Report on Form 10-Q is anticipated to be filed with the SEC on or before August 15, 2012, at which time the report can also be accessed via the websites.

DISTRIBUTION HIGHLIGHTS

- **$180,000 ($3.89 per unit)** distributed for the **Second Quarter** of 2012, (see **Adjusted Condensed Statements of Cash Flows attached)**
- **$415,000 ($8.97per unit)** in aggregate distributions for the First and Second Quarters of 2012.
- **Between $1,600.69 and $1,451.51** is the range of cumulative total distributions per unit from the *first* unit sold to the *last* unit sold before the offering closed (3/90), respectively. (Distributions are from both adjusted cash flow from operations and "net" cash activity from financing and investing activities).

FORWARD LOOKING STATEMENTS

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. Investors are cautioned not to place undue reliance on forward-looking statements, which reflect the Partnership's management's view only as of August 1, 2012, the date this newsletter was sent for printing and mail assembly The Partnership undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this newsletter include changes in general economic conditions, changes in real estate conditions and markets, inability of current tenants to meet financial obligations, inability to obtain new tenants upon the expiration of existing leases, and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

SEE INSIDE

PROPERTY HELD FOR SALE

Vacant Phoenix, AZ property:

The carrying amount of the vacant Phoenix, AZ property was reduced by $390,117 during the fiscal year 2011, to its estimated fair value of $150,000.

A contract ("Contract") to sell the vacant Phoenix, AZ property for $325,000 was executed in February of 2012. The terms of the Contract provide for closing within seven months of the Contract date; however, there are various contingencies to be met before closing takes place and Management has no certainty that the sale will actually close. Completion of the sale would result in estimated net cash proceeds of $295,000, after commissions and other selling expenses, which would be greater than the property's estimated fair value of $150,000 as of June 30, 2012.

QUESTIONS & ANSWERS

❖ ***When can I expect to receive my next distribution mailing?***
Your distribution correspondence for the third quarter of 2012 is scheduled to be mailed on November 15, 2012.

❖ ***What was the estimated December 31, 2011 Net Unit Value ("NUV")?***
Management had estimated the December 31, 2011 Net Unit Value of each interest of the Partnership to approximate $305, as noted in the letter mailed to investors on February 15, 2012. Please note that the estimated year-end NUV should be adjusted (reduced) for any subsequent property sale(s) or applicable impairment write-downs during the following year. As with any valuation methodology, the General Partner's methodology is based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated NUV. Accordingly, with respect to the estimated NUV, the Partnership can give no assurance that:

- an investor would be able to resell his or her units at this estimated NUV;
- an investor would ultimately realize distributions per unit equal to the Partnership's estimated NUV per unit upon the liquidation of all of the Partnership's assets and settlement of its liabilities;
- the Partnership's units would trade at the estimated NUV per unit in a secondary market; or
- the methodology used to estimate the Partnership's NUV per unit would be acceptable to FINRA or under ERISA for compliance with their respective reporting requirements.

❖ ***How can I obtain hard copies of Quarterly and Annual Reports or other SEC filings?***
Please visit the Investor Relations page at the Partnership website at www.divallproperties.com or the SEC website at www.sec.gov to print a copy of the report(s) or contact Investor Relations.

❖ ***How do I have a question answered in the next Newsletter?***
Please e-mail your specific question to Lynette DeRose at lderose@tpgsystems.com or visit our Investor Relations page at www.divallproperties.com.

❖ ***I've moved. How do I update my account registration?***
Please mail or fax to DiVall Investor Relations a signed letter stating your new address and telephone number. Updates cannot be accepted over the telephone or via voicemail messages.

❖ ***If I have questions or comments, how can I reach DiVall Investor Relations?***
You can reach DiVall Investor Relations at the address and/or number(s) listed below.

CONTACT INFORMATION

MAIL: DiVall Investor Relations
c/o Phoenix American Financial Services, Inc.
2401 Kerner Blvd.
San Rafael, CA 94901

PHONE: 1-800-547-7686
FAX: 1-415-485-4553

DIVALL INSURED INCOME PROPERTIES 2 L.P.
ADJUSTED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2012 and 2011

(Unaudited)

	2012	2011
Net Cash Flows Provided by Operating Activities	**$607,956** *	**$669,016** *
Adjustments:		
Changes in working capital (a)	(1,231)	4,335
Net Cash flows advanced from past or current cash flows (reserved for future) (b)	(204,046)	(265,801)
Net Adjusted Cash Flows Provided by Operating Activities	**$402,679**	**$407,550**
Cash Flows provided by Investing Activities	**$13,134** *	**$12,156** *
Total Adjusted Cash Flows Provided by Operating Activities and Cash Flows Provided by Investing Activities	**$415,813**	**$419,706**

	2012 ACTUAL	2011 ACTUAL
2nd Quarter Cash Distribution	$180,000 *	$265,000 *
2nd Quarter Cash Distribution per Limited Partner Unit	$3.89	$5.73
Date Mailed	8/15/2012	8/15/2011
1st Quarter Cash Distribution	$235,000 *	$255,000 *
1st Quarter Cash Distribution per Limited Partner Unit	$5.08	$5.51
Date Mailed	5/15/2012	5/13/2011
Total Cash Distributions for 1st and 2nd Quarters	**$415,000**	**$520,000**
Total Cash Distributions per Limited Partner unit	**$8.97**	**$11.24**
Number of outstanding Limited Partner units*	**46,280.30**	**46,280.30**

* As reported

(a) Timing differences arising from the payment of certain liabilities in a period other than that in which the expense is recognized in determining net income may distort the actual cash flow that operations generate. Therefore, Management adjusts the Partnership's GAAP cash flow provided by operations to record such amounts in the period in which the liability was actually incurred and reserved for payment.

(b) As deemed necessary, Management adjusts the Partnership's GAAP cash flow provided by operations for cash flows advanced from past cash flows or current cash flows reserved for future distributions to allow the Partnership to operate normally.

Non-GAAP Financial Disclosure

Adjusted cash flow provided by operating activities is a non-GAAP financial measure that represents cash flow provided by operating activities on a GAAP basis adjusted for certain timing differences and cash flow advances (deferrals) as described above. Management believes that adjusted cash flow from operating activities is a useful supplemental measure for assessing the cash flow generated from the Partnership's period and is used in evaluating quarterly cash distributions to limited partners. Adjusted cash flow provided by operating activities should not be considered as an alternative for cash flow provided by operating activities computed on a GAAP basis as a measure of our liquidity.

We believe that adjusted cash flow provided by operating activities is a useful supplemental measure for assessing the cash flow generated from our core operations as it gives investors important information about our liquidity that is not provided within cash flow provided by operating activities as defined by GAAP, and we use this measure when evaluating distributions to Limited Partners.